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CHARTER TOWNSHIP OF MONITOR BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS DECEMBER 31, 2004

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Monitor	County Bay
Audit Date 12/31/04	Opinion Date 4/21/05	Date Accountant Report Submitted to State: July 14, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

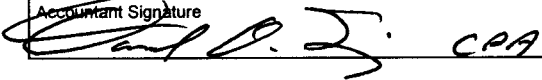
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Weinlander Fitzhugh			
Street Address 1600 Center Ave.	City Bay City	State MI	ZIP 48708
Accountant Signature 		Date 7/14/05	

INDEX

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3a-3k
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	4
STATEMENT OF ACTIVITIES	5
FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUNDS	
BALANCE SHEET	6
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	7
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	9
PROPRIETARY FUNDS	
STATEMENT OF NET ASSETS	10
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS	11
STATEMENT OF CASH FLOWS	12
FIDUCIARY FUNDS	
STATEMENT OF FIDUCIARY NET ASSETS	13
COMPONENT UNIT	
STATEMENT OF NET ASSETS	14
STATEMENT OF ACTIVITIES	15

<u>INDEX</u>	<u>PAGE</u>
NOTES TO FINANCIAL STATEMENTS	16-32
REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	33
BUDGETARY COMPARISON SCHEDULE – SOLID WASTE FUND	34
BUDGETARY COMPARISON SCHEDULE – SEWAGE DISPOSAL SYSTEM FUND	35
OTHER SUPPLEMENTAL INFORMATION	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	36
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS	37
COMBINING BALANCE SHEET – PROPRIETARY WATER FUND	38
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – PROPRIETARY WATER FUND	39
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY WATER FUND	40



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

April 21, 2005

Township Board
Charter Township of Monitor
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Monitor, Bay County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, a component unit, which statements reflect total assets of \$867,342 as of December 31, 2004, and total revenues of \$176,790 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Downtown Development Authority, is based on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Charter Township of Monitor as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

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Township Board
Charter Township of Monitor
April 21, 2005
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monitor Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Our discussion and analysis of the Charter Township of Monitor's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2004.

Financial Highlights

State shared revenues accounted for \$680,082 or 49% of the Township's general fund revenues. In addition, tax collection revenue accounted for \$360,508 or 26% of the Township's general fund revenues. The general fund reported an increase in fund balance of \$41,511.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Charter Township of Monitor financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds—the General Fund, Solid Waste Fund, and Sewage Disposal System Fund with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund, Solid Waste Fund, and the Sewage Disposal Fund
(Required Supplemental Information)

Other Supplemental Information

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- Governmental Activities—Most of the Township's basic services are reported here, including the fire, trash, inspection, drains and general administration. Sales taxes (stated shared revenues), property taxes and franchise fees finance most of these activities.
- Business Type Activities—The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- Component Unit—The Township includes the Downtown Development Authority in their report. Although legally separate, this component unit is important because the Township is financially accountable for them.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds—not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, Governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

This fund presents the Township's water and sewer operations that are managed by the Bay County Department of Water and Sewer and the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2004.

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of December 31, 2004.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

<u>Exhibit A</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current and other assets	\$ 4,959,517	\$ 1,633,515	\$ 6,593,032
Capital assets - net of accumulated depreciation	<u>479,916</u>	<u>9,626,931</u>	<u>10,106,847</u>
Total assets	<u>5,439,433</u>	<u>11,260,446</u>	<u>16,699,879</u>
Liabilities			
Current liabilities	1,772,884	660,875	2,433,759
Long-term liabilities	<u>76,066</u>	<u>1,840,960</u>	<u>1,917,026</u>
Total liabilities	<u>1,848,950</u>	<u>2,501,835</u>	<u>4,350,785</u>
Net Assets			
Invested in property and equipment - net of related debt	479,916	7,228,578	7,708,494
Restricted	1,558,559	0	1,558,559
Unrestricted	<u>1,552,008</u>	<u>1,530,033</u>	<u>3,082,041</u>
Total net assets	<u>\$ 3,590,483</u>	<u>\$ 8,758,611</u>	<u>\$ 12,349,094</u>

Exhibit A focuses on net assets. The Township's total net assets were \$12,349,094 at December 31, 2004. Capital assets net of related debt, totaling \$7,708,494 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$1,558,559 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$3,082,041 of unrestricted net assets of Governmental and Business-Type Activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended December 31, 2004. Exhibit B provides a summary of the Township's operations for the year. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Exhibit B</u>			
Revenue			
Program revenue:			
Charges for services	\$ 556,205	\$ 1,226,393	\$ 1,782,598
Grants and contributions	0	475,108	475,108
General revenue:			
Taxes	1,080,704	0	1,080,704
State shared revenue	680,082	0	680,082
Interest and investment earnings	44,044	18,039	62,083
Other	221,980	0	221,980
	<u>2,583,015</u>	<u>1,719,540</u>	<u>4,302,555</u>
Total revenue			
	<u>2,583,015</u>	<u>1,719,540</u>	<u>4,302,555</u>
Function/Program Expenses			
Legislative	38,993	0	38,993
General government	612,302	0	612,302
Public safety	619,165	0	619,165
Public works	168,362	0	168,362
Recreation activities	10,894	0	10,894
Sanitation	397,433	0	397,433
Other	10,577	0	10,577
Payment to Enterprise Fund	475,108	0	475,108
Water and sewer	0	1,516,261	1,516,261
	<u>2,332,834</u>	<u>1,516,261</u>	<u>3,849,095</u>
Total expenses			
	<u>2,332,834</u>	<u>1,516,261</u>	<u>3,849,095</u>
Increase in Net Assets	<u>\$ 250,181</u>	<u>\$ 203,279</u>	<u>\$ 453,460</u>

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type* Activities this year was \$3,849,095. Certain activities were partially funded by \$1,782,598 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$475,108. We paid for the remaining 'public benefit' portion of our Governmental and Business-Type Activities with \$1,080,704 in taxes, \$680,082 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$453,460, mainly due to actual expenditures being less than anticipated. There were no significant revenue increases this year. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The governmental activities net assets experienced an increase of \$250,181 resulting from actual expenses incurred being below expected levels. There were no significant expenditure decreases.

The water and sewer funds experienced an increase of \$203,279 resulting from an excess of customer charges over expenditures for the year.

The Township's Funds

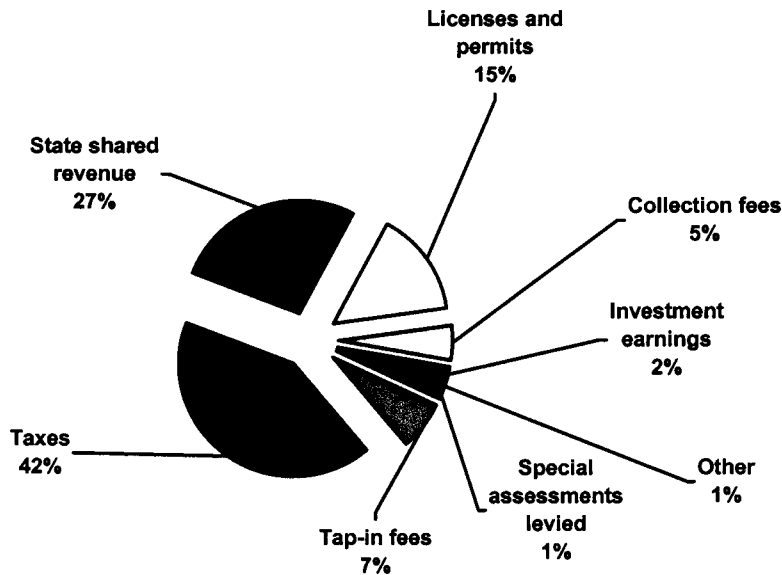
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$3,226,046, which is an increase from last year's total of \$2,978,990. The schedule below details the fund balance and the total change in fund balances as of December 31, 2004.

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General fund	\$ 1,667,487	\$ 1,625,976	\$ 41,511
Special Revenue funds	1,335,251	1,237,941	97,310
Capital Projects fund	223,308	115,073	108,235
Total	<u>\$ 3,226,046</u>	<u>\$ 2,978,990</u>	<u>\$ 247,056</u>

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

The graph below details the major sources of the Township's governmental revenues.



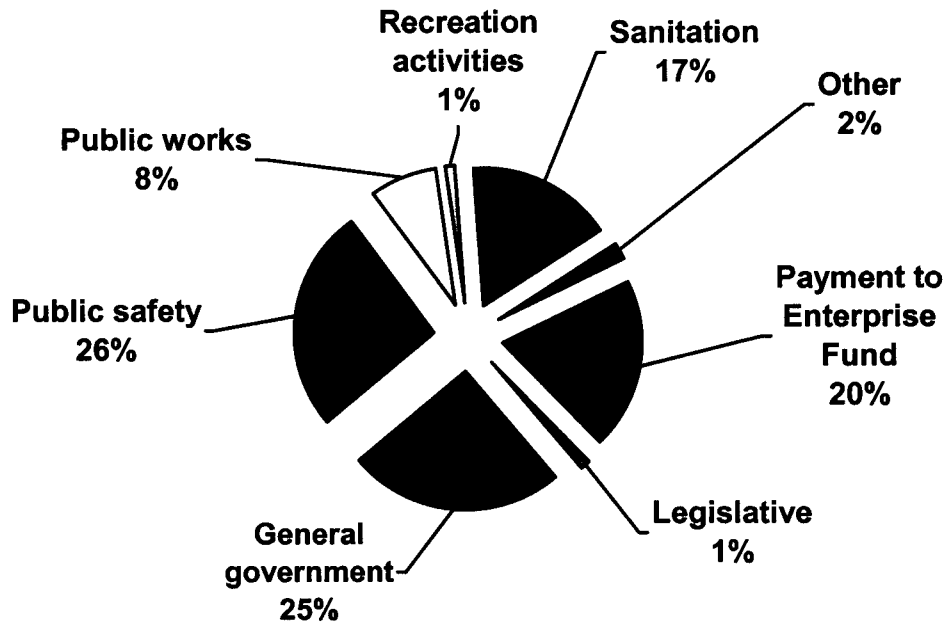
The chart below compares current year revenues with last year.

	2004	2003	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 1,081,000	\$ 1,109,000	-3%
Tap-in fees	171,000	259,000	-34%
Collection fees	126,000	124,000	2%
State shared revenue	680,000	740,000	-8%
Special assessments levied	34,000	26,000	31%
Hall rental	14,000	29,000	-52%
Investment earnings	44,000	30,000	47%
Licenses and permits	385,000	394,000	-2%
Other	30,000	21,000	43%
Total	<u>\$ 2,565,000</u>	<u>\$ 2,732,000</u>	<u>-6%</u>

Overall, 2004 revenues are down \$167,000 or 6% mainly due to the receipts of sewer permits for new construction projects throughout the Township. The General Fund experienced a decrease in state shared revenue of approximately \$60,000 from the prior year.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

The graph below details the governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2004	2003	Percentage Change
<i>Expenditures by Function</i>			
Legislative	\$ 39,000	\$ 38,000	3%
General government	586,000	532,000	10%
Public safety	605,000	655,000	-8%
Public works	203,000	416,000	-51%
Recreation activities	11,000	25,000	-56%
Sanitation	397,000	397,000	0%
Other	56,000	6,000	833%
Payment to Enterprise Fund	475,000	488,000	-3%
Total	<u>\$ 2,372,000</u>	<u>\$ 2,557,000</u>	<u>-7%</u>

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Expenditures are down \$185,000 from the prior year mostly due to the Drinking Water Revolving Fund Waterline Improvement project not being completed in 2004.

Water and Sewer System Funds -The Township's Proprietary funds (the Bay County DWS Monitor Water and Sewer Enterprise Funds and the Township Water Fund) reported net assets of \$8,758,611, which is an increase of \$203,279 over last year's net assets of \$8,555,332. Operating revenues exceeded operating expenses for the year.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted expenditures increased by about \$46,000 during the fiscal year. This is mainly due to the purchase of a medical response vehicle from the City of Saginaw.
- Actual revenues for the year were \$15,432 more than anticipated during the fiscal year. The overall change was not significant.
- Actual expenditures for the year were \$324,012 less than anticipated, mainly due to the uncertainty of state revenue sharing cuts. It was anticipated that the expenditures contained in the 2004 budget would exceed projected revenue by \$297,933. To be fiscally responsible, budget expenditures were limited to projected revenue amounts. Building improvements and maintenance projects were also delayed into 2005.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Capital Assets

At December 31, 2004, the Township had \$19.5 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net increase (including additions and disposals) of approximately \$56,000 from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 88,112	\$ 88,112	\$ 8,787	\$ 8,787	\$ 96,899	\$ 96,899
Buildings and improvements	790,048	790,048	0	0	790,048	790,048
Vehicles	477,037	454,981	0	0	477,037	454,981
Equipment	100,764	100,764	0	0	100,764	100,764
Water system	0	0	4,861,540	4,859,277	4,861,540	4,859,277
Sewer System	0	0	13,219,303	13,187,399	13,219,303	13,187,399
 Total capital assets	 1,455,961	 1,433,905	 18,089,630	 18,055,463	 19,545,591	 19,489,368
 Less accumulated depreciation	 976,045	 955,566	 8,462,699	 8,103,872	 9,438,744	 9,059,438
 Net capital assets	 <u>\$ 479,916</u>	 <u>\$ 478,339</u>	 <u>\$ 9,626,931</u>	 <u>\$ 9,951,591</u>	 <u>\$ 10,106,847</u>	 <u>\$ 10,429,930</u>

This year's additions for Governmental Activities of \$45,000 included vehicles. No debt was issued for this equipment.

This year's additions for Business-Type Activities of \$34,167 included equipment and system improvements.

We present more detailed information about our Governmental Activities capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows:

M100 Voting Equipment (7)	\$37,246
Building improvements	\$75,000

Capital additions to our Business-Type Activities for next year have not been determined.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Debt

At the end of this year, the Township had \$2.4 million in long-term debt outstanding versus \$3.0 million in the previous year. The Township's debt is related to water and sewer system improvements, reported in the proprietary funds, and drainage district bonds and notes reported in the governmental funds. This debt is summarized as follows:

	<u>2004</u>	<u>2003</u>
Governmental	\$ 94,918	\$ 92,922
Proprietary	<u>2,377,617</u>	<u>2,858,830</u>
	<u>\$ 2,472,535</u>	<u>\$ 2,951,752</u>

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in the costs for health care benefits and property insurance premiums. There are many roads in the Township that require improvements, as well as increased costs to provide public safety services.

The Township will need to seek an increase in revenue and continue to adjust its expenditures.

The Township residents may be asked to support an operational millage, or township special assessment, to balance the revenue shortfalls.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 2483 E. Midland Road, Bay City, MI 48706.

Charter Township of Monitor
Statement of Net Assets
December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 3,300,632	\$ 1,397,309	\$ 4,697,941	\$ 83,174
Receivables:				
Accounts receivable	22,648	231,992	254,640	0
Assessment receivable	423,130	0	423,130	0
Accrued interest receivable	7,205	3,028	10,233	0
Prepaid expenses	45,711	1,186	46,897	0
Taxes receivable	717,579	0	717,579	171,592
Grant receivable	0	0	0	1,166
Due from Fiduciary Funds	442,612	0	442,612	0
Capital assets less accumulated depreciation	479,916	9,626,931	10,106,847	611,410
 Total assets	 5,439,433	 11,260,446	 16,699,879	 867,342
<u>Current Liabilities</u>				
Accounts payable	73,843	77,944	151,787	7,260
Accrued payroll	0	879	879	0
Accrued interest payable	4,867	26,121	30,988	0
Accrued liabilities	32,052	0	32,052	0
Deferred revenue	1,616,207	0	1,616,207	125,713
Deposits	11,369	0	11,369	0
Compensated absences	0	2,891	2,891	0
Bonds and notes payable	34,546	553,040	587,586	14,769
Total current liabilities	1,772,884	660,875	2,433,759	147,742
<u>Long-term Liabilities</u>				
Compensated absences	15,694	16,383	32,077	0
Bonds and notes payable	60,372	1,824,577	1,884,949	11,451
Total long-term liabilities	76,066	1,840,960	1,917,026	11,451
 Total liabilities	 1,848,950	 2,501,835	 4,350,785	 159,193
<u>Net Assets</u>				
Investment in capital assets - net of related debt	479,916	7,224,858	7,704,774	611,410
Restricted	1,558,559	0	1,558,559	0
Unrestricted	1,552,008	1,533,753	3,085,761	96,739
 Total net assets	 \$ 3,590,483	 \$ 8,758,611	 \$ 12,349,094	 \$ 708,149

See accompanying notes to financial statements.

Charter Township of Monitor
Statement of Activities
For the Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:							
Legislative	\$ 38,993	\$ 0	\$ 0	\$ (38,993)	\$ 0	\$ (38,993)	\$ 0
General government	612,302	0	0	(612,302)	0	(612,302)	0
Public safety	619,165	384,972	0	(234,193)	0	(234,193)	0
Public works	168,362	0	0	(168,362)	0	(168,362)	0
Recreation activities	10,894	0	0	(10,894)	0	(10,894)	0
Sanitation	397,433	0	0	(397,433)	0	(397,433)	0
Other	10,577	0	0	(10,577)	0	(10,577)	0
Payment to Enterprise Fund	475,108	171,233	0	(303,875)	0	(303,875)	0
Total governmental activities	2,332,834	556,205	0	(1,776,629)	0	(1,776,629)	0
Business-type activities:							
Water	615,784	630,461	0	0	14,677	14,677	0
Sewer	900,477	595,932	475,108	0	170,563	170,563	0
Total business-type activities	1,516,261	1,226,393	475,108	0	185,240	185,240	0
Total primary government	\$3,849,095	\$ 1,782,598	\$ 475,108	(1,776,629)	185,240	(1,591,389)	0
Component Units:							
Downtown Development Authority	\$ 200,541	\$ 0	\$ 0	0	0	0	(200,541)
Total component units	\$ 200,541	\$ 0	\$ 0	0	0	0	(200,541)
General Revenues:							
Taxes				1,080,704	0	1,080,704	173,360
State shared revenue				680,082	0	680,082	0
Interest and investment earnings				44,044	18,039	62,083	1,120
Sale of land - forfeitures				0	0	0	2,300
Other				221,980	0	221,980	10
Total general revenues				2,026,810	18,039	2,044,849	176,790
Change in net assets				250,181	203,279	453,460	(23,751)
Net assets - beginning of year				3,340,302	8,555,332	11,895,634	731,900
Net assets - end of year				\$ 3,590,483	\$ 8,758,611	\$12,349,094	\$ 708,149

See accompanying notes to financial statements.

Charter Township of Monitor
Governmental Funds
Balance Sheet
December 31, 2004

	General	Solid Waste	Sewage Disposal System	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash and investments	\$ 1,646,886	\$ 106,932	\$ 923,991	\$ 622,823	\$ 3,300,632
Receivables:					
Taxes receivable	283,501	0	433,254	824	717,579
Assessment receivable	0	222,284	200,846	0	423,130
Interest receivable	4,318	0	2,887	0	7,205
Accounts receivable	19,083	0	0	3,565	22,648
Due from Fiduciary Funds	179,858	197,047	65,707	0	442,612
Due from Governmental Funds	31,389	0	0	0	31,389
Prepaid expenses	45,031	0	0	680	45,711
Total assets	<u>\$ 2,210,066</u>	<u>\$ 526,263</u>	<u>\$ 1,626,685</u>	<u>\$ 627,892</u>	<u>\$ 4,990,906</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts payable	\$ 40,766	\$ 33,077	\$ 0	\$ 0	\$ 73,843
Accrued liabilities	16,438	0	0	15,614	32,052
Due to Governmental Funds	0	0	0	31,389	31,389
Deferred revenue	474,006	419,331	722,870	0	1,616,207
Deposits	11,369	0	0	0	11,369
Total liabilities	<u>542,579</u>	<u>452,408</u>	<u>722,870</u>	<u>47,003</u>	<u>1,764,860</u>
<u>Fund Balances</u>					
Reserved	0	73,855	903,815	580,889	1,558,559
Unreserved:					
Undesignated	1,667,487	0	0	0	1,667,487
Total fund balances	<u>1,667,487</u>	<u>73,855</u>	<u>903,815</u>	<u>580,889</u>	<u>3,226,046</u>
Total liabilities and fund balances	<u>\$ 2,210,066</u>	<u>\$ 526,263</u>	<u>\$ 1,626,685</u>	<u>\$ 627,892</u>	<u>\$ 4,990,906</u>

See accompanying notes to financial statements.

Charter Township of Monitor
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004

Total fund balances - governmental funds		\$ 3,226,046
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

Cost of the capital assets	\$ 1,455,961	
Accumulated depreciation	<u>(976,045)</u>	479,916

Long-term liabilities are not due and payable in the current
period and are not reported in the funds:

Bonds payable	(94,918)	
Compensated absences	(15,694)	

Accrued interest payable is not included as a liability in
governmental activities

<u>(4,867)</u>	<u>(115,479)</u>
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Total net assets - governmental activities		<u><u>\$ 3,590,483</u></u>
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See accompanying notes to financial statements.

Charter Township of Monitor
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2004

	General	Solid Waste	Sewage Disposal System	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Taxes	\$ 360,508	\$ 402,152	\$ 318,044	\$ 0	\$ 1,080,704
Tap-in fees	0	0	171,233	0	171,233
Collection fees	125,799	0	0	0	125,799
State shared revenue	680,082	0	0	0	680,082
Special assessments levied	34,236	0	0	0	34,236
Hall rental	14,055	0	0	0	14,055
Interest	26,749	1,851	11,220	4,224	44,044
Licenses and permits	130,507	368	0	254,097	384,972
Other	30,355	0	0	0	30,355
Total revenues	<u>1,402,291</u>	<u>404,371</u>	<u>500,497</u>	<u>258,321</u>	<u>2,565,480</u>
<u>Expenditures</u>					
Legislative	38,993	0	0	0	38,993
General government	585,908	0	0	0	585,908
Public safety	470,225	0	0	135,051	605,276
Public works	203,312	0	0	0	203,312
Recreation activities	10,894	0	0	0	10,894
Sanitation	448	396,985	0	0	397,433
Other	6,000	0	150	4,427	10,577
Capital outlay	45,000	0	0	0	45,000
Payment to Enterprise Fund for debt service	<u>0</u>	<u>0</u>	<u>475,108</u>	<u>0</u>	<u>475,108</u>
Total expenditures	<u>1,360,780</u>	<u>396,985</u>	<u>475,258</u>	<u>139,478</u>	<u>2,372,501</u>
Excess of revenues over expenditures	<u>41,511</u>	<u>7,386</u>	<u>25,239</u>	<u>118,843</u>	<u>192,979</u>
<u>Other Financing Sources</u>					
Proceeds from long-term debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,077</u>	<u>54,077</u>
Net change in fund balance	<u>41,511</u>	<u>7,386</u>	<u>25,239</u>	<u>172,920</u>	<u>247,056</u>
Fund balance - beginning of year as previously reported	1,625,976	66,469	878,576	635,697	3,206,718
Prior period adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>(227,728)</u>	<u>(227,728)</u>
Fund balance - beginning of year as restated	<u>1,625,976</u>	<u>66,469</u>	<u>878,576</u>	<u>407,969</u>	<u>2,978,990</u>
Fund balance - end of year	<u>\$ 1,667,487</u>	<u>\$ 73,855</u>	<u>\$ 903,815</u>	<u>\$ 580,889</u>	<u>\$ 3,226,046</u>

See accompanying notes to financial statements.

Charter Township of Monitor
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Net change in fund balance - total governmental funds \$ 247,056

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation:

Depreciation expense	\$ (43,423)	
Capital outlay	<u>45,000</u>	1,577

Long-term liabilities are not due and payable in the current
period and are not reported in the funds:

Proceeds from long-term debt - County drains	(36,542)	
Bonds payable	34,546	
Compensated absences	3,140	

Accrued interest payable is not included as a liability in
governmental activities

	<u>404</u>	<u>1,548</u>
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Change in net assets of governmental activities		<u><u>\$ 250,181</u></u>
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See accompanying notes to financial statements.

Charter Township of Monitor
Proprietary Funds
Statement of Net Assets
December 31, 2004

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 695,142	\$ 702,167	\$ 1,397,309
Accounts receivable - net	121,635	110,357	231,992
Interest receivable	1,437	1,591	3,028
Prepaid expenses	1,186	0	1,186
Total current assets	<u>819,400</u>	<u>814,115</u>	<u>1,633,515</u>
Capital assets - at cost	4,870,327	13,219,303	18,089,630
Less allowance for depreciation	<u>(2,174,765)</u>	<u>(6,287,934)</u>	<u>(8,462,699)</u>
Net capital assets	<u>2,695,562</u>	<u>6,931,369</u>	<u>9,626,931</u>
Total Assets	<u>3,514,962</u>	<u>7,745,484</u>	<u>11,260,446</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	77,944	0	77,944
Accrued payroll	879	0	879
Accrued interest payable	5,385	20,736	26,121
Compensated absences	2,891	0	2,891
Bonds payable	83,750	469,290	553,040
Total current liabilities	<u>170,849</u>	<u>490,026</u>	<u>660,875</u>
Long-term Liabilities:			
Compensated absences	16,383	0	16,383
Bonds payable	322,849	1,501,728	1,824,577
Total long-term liabilities	<u>339,232</u>	<u>1,501,728</u>	<u>1,840,960</u>
Total Liabilities	<u>510,081</u>	<u>1,991,754</u>	<u>2,501,835</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,285,243	4,939,615	7,224,858
Unrestricted	<u>719,638</u>	<u>814,115</u>	<u>1,533,753</u>
Total Net Assets	<u>\$ 3,004,881</u>	<u>\$ 5,753,730</u>	<u>\$ 8,758,611</u>

See accompanying notes to financial statements

Charter Township of Monitor
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended December 31, 2004

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Gross service charges	\$ 595,343	\$ 593,232	\$ 1,188,575
Water costs	293,120	0	293,120
Gross profit	302,223	593,232	895,455
Operating revenues:			
Service connections	31,710	0	31,710
Charges, fees, etc.	3,408	2,700	6,108
Total operating revenues	35,118	2,700	37,818
Operating expenses:			
Personal services	132,473	0	132,473
Utilities	1,778	0	1,778
Regional charges	0	402,538	402,538
Operation and maintenance	30,350	118,573	148,923
Administration	22,370	3,425	25,795
Fiscal and other charges	9,686	3,042	12,728
Depreciation	104,649	254,178	358,827
Total operating expenses	301,306	781,756	1,083,062
Operating income (loss)	36,035	(185,824)	(149,789)
Nonoperating revenues (expenses):			
Interest income	8,375	9,664	18,039
Interest expense	(21,358)	(118,721)	(140,079)
Payment by local unit	0	475,108	475,108
Total nonoperating revenue (expense)	(12,983)	366,051	353,068
Change in net assets	23,052	180,227	203,279
Net assets - beginning of year	2,981,829	5,573,503	8,555,332
Net assets - end of year	\$ 3,004,881	\$ 5,753,730	\$ 8,758,611

See accompanying notes to financial statements

Charter Township of Monitor
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2004

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 604,373	\$ 602,337	\$1,206,710
Cash payments to suppliers for goods and services	(403,767)	(527,578)	(931,345)
Cash payments to employees for services	(132,074)	0	(132,074)
Other operating income	35,118	2,700	37,818
Net cash provided by operating activities	103,650	77,459	181,109
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(66,000)	(469,290)	(535,290)
Interest paid on long-term debt	(21,043)	(123,658)	(144,701)
Payments from (to) local units	0	475,108	475,108
Acquisition and construction of capital assets	(2,263)	(31,904)	(34,167)
Net cash (used) by capital and related financing activities	(89,306)	(149,744)	(239,050)
Cash flows from investing activities:			
Interest and investment earnings	7,411	8,702	16,113
Net increase (decrease) in cash and cash equivalent	21,755	(63,583)	(41,828)
Cash and cash equivalents, beginning of year	673,387	765,750	1,439,137
Cash and cash equivalents, end of year	\$ 695,142	\$ 702,167	\$1,397,309

See accompanying notes to financial statements

Charter Township of Monitor
Component Unit
Statement of Net Assets
December 31, 2004

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and investments	\$ 83,174
Taxes receivable	171,592
Grant receivable	1,166
Capital assets	<u>611,410</u>
Total assets	<u>867,342</u>
<u>Liabilities</u>	
Accounts payable	7,260
Deferred revenue	125,713
Long-term liabilities:	
Due within one year	14,769
Due in more than one year	<u>11,451</u>
Total liabilities	<u>159,193</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	611,410
Unrestricted	<u>96,739</u>
Total net assets	<u>\$ 708,149</u>

See accompanying notes to financial statements

Charter Township of Monitor
 Component Unit
 Statement of Activities
For the Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Downtown Development Authority			
General government	\$ 110,171	\$ 0	\$ (110,171)
Return of excess property taxes	90,370	0	(90,370)
	<u>200,541</u>	<u>0</u>	<u>(200,541)</u>
Total component unit	<u>\$ 200,541</u>	<u>\$ 0</u>	<u>(200,541)</u>
General Revenues:			
			173,360
Taxes			1,120
Interest and investment earnings			2,300
Sale of land - forfeitures			10
Other			<u>10</u>
Total general revenues			<u>176,790</u>
Change in net assets			(23,751)
Net assets - beginning of year			<u>731,900</u>
Net assets - end of year			<u>\$ 708,149</u>

See accompanying notes to financial statements

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Monitor conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Monitor:

Reporting Entity

The Charter Township of Monitor (Township) was organized in 1869 and covers an area of approximately 38 square miles in Bay County, Michigan. The Township operates under an elected board (seven members) and provides services to its residents in many areas including fire protection, highways and streets, and sanitation. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Discretely Presented Component Units—The component unit column in the combined financial statements, which represents the financial data of the Charter Township of Monitor Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a board consisting of nine members appointed by the Charter Township of Monitor Board. The annual budget of the Authority is approved by the Charter Township of Monitor Board. The Authority cannot levy taxes or issue debt without the approval of the Charter Township of Monitor Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority can be obtained at 2483 E. Midland Road, Bay City, MI 48706.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the calendar year 2004.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Government reports the following major funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Solid Waste Fund – The Solid Waste Fund is used to record transactions relative to the collection of the trash in the Township.

Sewage Disposal Fund – The Sewage Disposal Fund is used to record transactions for the support of the sewage system in the Township.

Bay County Department of Water and Sewer Enterprise Funds and Township Water Fund–These funds account for the activities of providing water and sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. These funds are the Township's only proprietary funds.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	50 Years
Building and land improvements	15 to 30 Years
Vehicles	5 Years
Equipment	5 to 7 years

Long-term Obligations—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change—Effective January 1, 2004, the Government implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Government's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Government's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Government's activities have been provided. Statement 34 requires the classification of net assets into three components—invested in capital assets, net of related debt; restricted; and unrestricted.

Governmental net assets at January 1, 2004 have been restated as follows:

Total fund equity per 2003 financial statements as restated	\$ 2,978,990
Capital assets owned by the Township	1,433,905
Accumulated depreciation on capital assets	(955,566)
Bonds and notes payable	(92,922)
Accrued interest payable	(5,271)
Compensated absences	<u>(18,834)</u>
Governmental net assets at January 1, 2004	<u><u>\$ 3,340,302</u></u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. The supervisor shall prepare a complete itemized proposed budget for the next fiscal year and submit it to the Township Board. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than December the Township Board shall, by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Solid Waster Fund and Sewage Disposal System Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Charter Township of Monitor incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
<u>Primary Government</u>			
Sewage Disposal Fund:			
Other	\$ 110	\$ 150	\$ 40
Capital Projects Fund:			
Other	100	4,306	4,206
<u>Component Unit</u>			
Special Revenue:			
Auditing	3,800	3,900	100
Consulting fees	6,500	7,922	1,422
Insurance	1,300	1,817	517
Legal fees – general	10,000	10,707	707
Return of excess property taxes	0	90,370	90,370

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Government's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 3,300,632</u>	<u>\$ 1,397,309</u>	<u>\$ 1,657,945</u>	<u>\$6,355,886</u>	<u>\$ 83,174</u>
Total	<u>\$ 3,300,632</u>	<u>\$ 1,397,309</u>	<u>\$ 1,657,945</u>	<u>\$6,355,886</u>	<u>\$ 83,174</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 6,120,375
Investments	318,610
Petty cash and cash on hand	<u>75</u>
Total	<u>\$ 6,439,060</u>

The bank balance of the primary government's deposits is \$6,293,621, of which \$576,086 is covered by federal depository insurance. The bank balance of the component units' deposits had a bank balance of \$173,544, of which \$5,544 was covered by federal depository insurance.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were as follows:

Investments Not Subject to Categorization:

Money Market Funds

\$ 318,610

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 88,112	\$ 0	\$ 0	\$ 88,112
Capital assets being depreciated:				
Buildings and Improvements	790,048	0	0	790,048
Vehicles	454,981	45,000	22,944	477,037
Equipment	100,764	0	0	100,764
Subtotal	<u>1,345,793</u>	<u>45,000</u>	<u>22,944</u>	<u>1,367,849</u>
Less accumulated depreciation for:				
Buildings and improvements	464,940	22,246	0	487,186
Vehicles	447,810	8,062	22,944	432,928
Equipment	42,816	13,115	0	55,931
Subtotal	<u>955,566</u>	<u>43,423</u>	<u>22,944</u>	<u>976,045</u>
Net capital assets being depreciated	<u>390,227</u>	<u>1,577</u>	<u>0</u>	<u>391,804</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 478,339</u>	<u>\$ 1,577</u>	<u>\$ 0</u>	<u>\$ 479,916</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated				
Land	\$ 8,787	\$ 0	\$ 0	\$ 8,787
Capital assets being depreciated:				
Water system	\$ 4,859,277	\$ 2,263	\$ 0	\$ 4,861,540
Sewer system	13,187,399	31,904	0	13,219,303
Subtotal	<u>18,046,676</u>	<u>34,167</u>	<u>0</u>	<u>18,080,843</u>
Less accumulated depreciation for:				
Water system	2,070,116	104,649	0	2,174,765
Sewer system	6,033,756	254,178	0	6,287,934
Subtotal	<u>8,103,872</u>	<u>358,827</u>	<u>0</u>	<u>8,462,699</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 9,951,591</u>	<u>\$ (324,660)</u>	<u>\$ 0</u>	<u>\$ 9,626,931</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Component unit activities:</u>				
Capital assets not being depreciated:				
Land	<u>\$ 611,410</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 611,410</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 29,534
Public safety	<u>13,889</u>
Total governmental activities depreciation expense	<u>\$ 43,423</u>
Business-type activities:	
Water	\$ 104,649
Sewer	<u>254,178</u>
Total business-type activities depreciation expense	<u>\$ 358,827</u>
Component unit activities:	
Downtown Development Authority	<u>\$ 0</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at December 31, 2004 and transfers made during the year ended December 31, 2004 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 211,247	\$ 0	\$ 0	\$ 0
Solid Waste	197,047	0	0	0
Sewage Disposal System	65,707	0	0	0
Building	0	31,389	0	0
Harvest View	384	0	0	0
Briar Farms	1,015	0	0	0
Pepper Berry Creek	314	0	0	0
Rueger Farms	2,198	0	0	0
Rueger Farms II	5,300	0	0	0
Valley Center Tech Park	152	0	0	0
Tax Collection Agency	0	451,975	0	0
	<u>\$ 483,364</u>	<u>\$ 483,364</u>	<u>\$ 0</u>	<u>\$ 0</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6– LONG-TERM DEBT

The following details the Township's long-term debt:

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 6- LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>			
Bay County Columbia Drainage District Drain Bonds Series 1988, dated September 1, 1988, due in annual installments through 2008, bearing interest rates of 5.8% to 7.8%.	\$ 52,500	\$ (10,500)	\$ 42,000
Popp and Branches County Drainage District Note, due in annual installments of \$3,757 plus interest at 5.64% through 2006.	11,270	(3,757)	7,513
Hildebrandt-Anderson County Drainage District Note, due in annual installments of \$6,900 plus interest at 5.50% through 2006.	20,700	(6,900)	13,800
Weiss Meed County Drainage District Note, due in annual installments of \$12,181 plus interest at 3.67% through 2006.	0	24,361	24,361
Arnold County Drainage District Note, due in annual installments of \$1,208 plus interest at 5.75% through 2011.	8,452	(1,208)	7,244
Bay County Water Supply System 1987 Series General Obligation Bonds, dated February 1, 1987, due in annual installments through 2006, bearing interest rates of 5.0% to 8.0%.	191,250	(51,000)	140,250
Capital Improvement Bonds, dated June 26, 2004, due in annual installments through 2023 with an interest rate of 2.5%.	227,272	39,077	266,349

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 6 – LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Bay County West Side Regional Sewage Disposal General Obligation Bonds, dated July 1, 1978, due in annual installments through May 1, 2008, bearing interest rates of 5.5% to 7.5%.	\$ 2,440,308	\$ (469,290)	\$ 1,971,018
	<u>2,951,752</u>	<u>(479,217)</u>	<u>2,472,535</u>
<u>Component Unit</u>			
Development agreement with John P. O'Brien and Ann M. O'Brien, dated July 1, 1999, for reimbursement of qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved.	7,109	(2,031)	5,078
Development agreement with Quantum Composites, Inc., dated February 3, 1998, for reimbursement of qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved.	14,286	(7,197)	7,089
Development agreement with Metro Fabricating, Inc., dated September 21, 1998, to reimburse up to \$38,899 for qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved. Subject to the full payment of the development agreement with G & S Investment Company.	19,594	(5,541)	14,053
	<u>40,989</u>	<u>(14,769)</u>	<u>26,220</u>
Total	<u>\$ 2,992,741</u>	<u>\$ (493,986)</u>	<u>\$ 2,498,755</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance January 1, 2004	Additions	Retirements and Payments	Balance December 31, 2004	Amount Due Within One Year
Bonds	<u>\$2,992,741</u>	<u>\$ 90,619</u>	<u>\$ (584,605)</u>	<u>\$2,498,755</u>	<u>\$ 602,030</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-Type Activities		Component Unit Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 34,546	\$ 5,198	\$ 552,715	\$ 113,379	\$ 14,769	\$ 0
2006	34,544	3,271	597,401	81,108	7,464	0
2007	11,708	1,344	520,576	46,956	3,987	0
2008	11,708	536	520,576	18,924	0	0
2009	1,208	139	20,000	4,658	0	0
2010-2014	1,204	69	105,000	15,790	0	0
2015-2019	0	0	61,349	1,418	0	0
Total	<u>\$ 94,918</u>	<u>\$ 10,557</u>	<u>\$2,377,617</u>	<u>\$ 282,232</u>	<u>\$ 26,220</u>	<u>\$ 0</u>

NOTE 7 – PENSION PLAN

The Township has established the Charter Township of Monitor Group Pension Plan, a defined contribution, contributory retirement plan that covers substantially all employees of the Township. The plan requires a mandatory employee contribution of 5% of base pay and allows an additional participant contribution of up to 10% of base pay. The employer's contribution to the plan is 15% of base pay. The employer's pension expense for the year ended December 31, 2004 was \$67,403

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - COMPENSATED ABSENCES PAYABLE

Vacation time is earned in varying amounts depending upon years of service and number of hours worked. Vacation time may not be accumulated beyond the year after it is earned. Accumulated vacation time is payable upon termination of employment.

Paid sick leave will be allowed for up to five days per calendar year on an "as required" basis. There shall be no payment for any unused sick time upon termination of employment or otherwise.

The Department of Water and Sewer has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 120 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year. In addition, the DWS provides a longevity payment to all supervisory and administrative employees at time of retirement. The benefit is based on years of employment times one-third of monthly salary, with a maximum payment of six months of salary. The cost of this benefit is recognized when earned. The total liability for compensated absences was \$19,274.

NOTE 9 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Water Funds</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating income (loss)	\$ 36,035	\$ (185,824)	\$(149,789)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	104,649	254,178	358,827
Changes in assets and liabilities:			
Accounts receivable	9,030	9,105	18,135
Prepaid expenses	(66)	0	(66)
Accounts payable	(46,397)	0	(46,397)
Accrued payroll	660	0	660
Compensated absences	(261)	0	(261)
Net cash provided by operating activities	<u>\$ 103,650</u>	<u>\$ 77,459</u>	<u>\$ 181,109</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 10 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues received or accrued prior to meeting all eligibility requirements amounted to \$1,616,207.

NOTE 11 – TAX INCREMENTAL FINANCING PROCEDURES

The tax increment financing procedure is outlined in Public Act 197 of 1975, as amended. It allows the Monitor Township Downtown Development Authority to receive a portion of the taxes created as a result of increased property values over a base year value on property located within the district. These property taxes are collected by the Monitor Township Treasurer who then pays the collected taxes to the Treasurer of the Authority. Taxes are levied and become an enforceable lien on property on July 1 and December 1 and payable on September 14 and February 28. The Authority recognizes the tax revenues when they are due and payable.

For 2004, the DDA collected 75% of the tax increment finances that they are eligible to receive. The other 25% is to be forwarded to the other taxing entities. The DDA Board determines the percentage to be received on an annual basis based on the budget approved by the Monitor Township Board of Trustees.

NOTE 12 – RISK FINANCING AND RELATED INSURANCE ISSUES

The risk of loss to which the Township and Downtown Development Authority is exposed and for which it has purchased insurance is for liability only. There have been no significant reductions in insurance coverage as compared to the previous year.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 13 – RELATED PARTY TRANSACTIONS

The Authority has an agreement with the Bay County Growth Alliance, Inc. (Alliance), in which the Alliance provides administrative, marketing and accounting services to the DDA. The agreement requires the DDA to remit monthly payments of \$4,000 for the administrative services performed by the employees of the Alliance. The DDA remitted \$48,000 to the Alliance for administrative services during the year ended December 31, 2004. The Chairperson and President of the Alliance is also the Vice-Chairperson of the DDA.

The DDA has a development agreement with Quantum Composites, Inc. and another agreement with John P. O'Brien and Ann M. O'Brien for reimbursement of qualified costs related to handicapped accessibility. The President of Quantum Composites and John P. O'Brien are board members of the DDA. See Note 6 for details of these agreements.

The DDA is a member of the Valley Center Technology Park Owners Association (Association). The Association provides for maintenance and improvements related to Valley Center Technology Park assets owned or controlled by the Association. The DDA paid the Association approximately \$14,800 during the year ended December 31, 2004. The DDA contributed to the Association at a rate of approximately 35%, which is their approximate share of land ownership with the Association.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The fund balance of the Capital Projects Fund was corrected for an error in recording of bond proceeds. The total amount of the 2004 Capital Improvement Bonds was recorded as bond proceeds in 2003. Only the portion actually received should have been recorded.

Charter Township of Monitor
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 340,500	\$ 340,500	\$ 360,508	\$ 20,008
Collection fees	118,852	118,852	125,799	6,947
State shared revenue	731,625	731,625	680,082	(51,543)
Special assessments levied	31,082	31,082	34,236	3,154
Hall rental	15,000	15,000	14,055	(945)
Interest	7,500	7,500	26,749	19,249
Licenses and permits	128,800	128,800	130,507	1,707
Other	13,500	13,500	30,355	16,855
Total revenues	1,386,859	1,386,859	1,402,291	15,432
<u>Expenditures</u>				
Legislative	43,737	43,737	38,993	4,744
General government	713,584	713,584	585,908	127,676
Public safety	479,758	479,758	470,225	9,533
Public works	330,518	330,518	203,312	127,206
Recreation activities	61,195	61,195	10,894	50,301
Sanitation	4,000	4,000	448	3,552
Other	6,500	6,500	6,000	500
Capital outlay	0	45,500	45,000	500
Total expenditures	1,639,292	1,684,792	1,360,780	324,012
Net change in fund balance	(252,433)	(297,933)	41,511	339,444
Fund balance - beginning of year	1,625,976	1,625,976	1,625,976	0
Fund balance - end of year	\$ 1,373,543	\$ 1,328,043	\$ 1,667,487	\$ 339,444

Charter Township of Monitor
Required Supplemental Information
Budgetary Comparison Schedule - Solid Waste Fund
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 402,031	\$ 402,031	\$ 402,152	\$ 121
Licenses and permits	250	250	368	118
Interest	1,500	1,500	1,851	351
Total revenues	403,781	403,781	404,371	590
<u>Expenditures</u>				
Sanitation	417,202	417,202	396,985	20,217
Total expenditures	417,202	417,202	396,985	20,217
Net change in fund balance	(13,421)	(13,421)	7,386	20,807
Fund balance - beginning of year	66,469	66,469	66,469	0
Fund balance - end of year	\$ 53,048	\$ 53,048	\$ 73,855	\$ 20,807

Charter Township of Monitor
 Required Supplemental Information
 Budgetary Comparison Schedule - Sewage Disposal System Fund
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 318,044	\$ 318,044	\$ 318,044	\$ 0
Tap-in fees	90,000	90,000	171,233	81,233
Interest	7,000	7,000	11,220	4,220
Total revenues	415,044	415,044	500,497	85,453
<u>Expenditures</u>				
Other	110	110	150	(40)
Payment to Enterprise Fund for debt service	504,000	504,000	475,108	28,892
Total expenditures	504,110	504,110	475,258	28,852
Net change in fund balance	(89,066)	(89,066)	25,239	114,305
Fund balance - beginning of year	878,576	878,576	878,576	0
Fund balance - end of year	<u>\$ 789,510</u>	<u>\$ 789,510</u>	<u>\$ 903,815</u>	<u>\$ 114,305</u>

Charter Township of Monitor
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	<u>Special Revenue Funds</u>			
	<u>Liquor Control</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 619	\$ 402,461	\$ 219,743	\$ 622,823
Taxes receivable	0	824	0	824
Prepaid expenses	0	680	0	680
Accounts receivable	0	0	3,565	3,565
Total assets	<u>\$ 619</u>	<u>\$ 403,965</u>	<u>\$ 223,308</u>	<u>\$ 627,892</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accrued liabilities	\$ 0	\$ 15,614	\$ 0	\$ 15,614
Due to Governmental Funds	0	31,389	0	31,389
Total liabilities	0	47,003	0	47,003
<u>Fund Balance</u>				
Reserved	619	356,962	223,308	580,889
Total Liabilites and Fund Balance	<u>\$ 619</u>	<u>\$ 403,965</u>	<u>\$ 223,308</u>	<u>\$ 627,892</u>

Charter Township of Monitor
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	<u>Special Revenue Funds</u>		<u>Capital</u>	
	<u>Liquor</u>	<u>Building</u>	<u>Projects</u>	<u>Totals</u>
	<u>Control</u>			
<u>Revenues</u>				
Licenses and permits	\$ 4,350	\$ 192,747	\$ 57,000	\$ 254,097
Interest	0	2,760	1,464	4,224
Total revenues	4,350	195,507	58,464	258,321
<u>Expenditures</u>				
Public safety	3,950	131,101	0	135,051
Other	121	0	4,306	4,427
Total expenditures	4,071	131,101	4,306	139,478
Excess revenues over expenditures	279	64,406	54,158	118,843
<u>Other Financing Sources</u>				
Proceeds from long-term debt	0	0	54,077	54,077
Net change in fund balance	279	64,406	108,235	172,920
Fund balance - beginning of year as previously reported	340	292,556	342,801	635,697
Prior period adjustment	0	0	(227,728)	(227,728)
Fund balance - beginning of year as restated	340	292,556	115,073	407,969
Fund balance - end of year	\$ 619	\$ 356,962	\$ 223,308	\$ 580,889

Charter Township of Monitor
Other Supplemental Information
Combining Balance Sheet
Proprietary Water Fund
December 31, 2004

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 695,142	\$ 0	\$ 695,142
Accounts receivable - net	121,635	0	121,635
Interest receivable	1,437	0	1,437
Prepaid expenses	1,186	0	1,186
Total current assets	<u>819,400</u>	<u>0</u>	<u>819,400</u>
Capital assets - at cost	4,588,978	281,349	4,870,327
Less allowance for depreciation	<u>(2,174,765)</u>	<u>0</u>	<u>(2,174,765)</u>
Net capital assets	<u>2,414,213</u>	<u>281,349</u>	<u>2,695,562</u>
Total Assets	<u>3,233,613</u>	<u>281,349</u>	<u>3,514,962</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	77,944	0	77,944
Accrued payroll	879	0	879
Accrued interest payable	3,720	1,665	5,385
Compensated absences	2,891	0	2,891
Bonds payable	63,750	20,000	83,750
Total current liabilities	<u>149,184</u>	<u>21,665</u>	<u>170,849</u>
Long-term Liabilities:			
Compensated absences	16,383	0	16,383
Bonds payable	76,500	246,349	322,849
Total long-term liabilities	<u>92,883</u>	<u>246,349</u>	<u>339,232</u>
Total Liabilities	<u>242,067</u>	<u>268,014</u>	<u>510,081</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,270,243	15,000	2,285,243
Unrestricted	<u>721,303</u>	<u>(1,665)</u>	<u>719,638</u>
Total Net Assets	<u>\$ 2,991,546</u>	<u>\$ 13,335</u>	<u>\$ 3,004,881</u>

Charter Township of Monitor
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Proprietary Water Fund
For the Year Ended December 31, 2004

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
Gross service charges	\$ 595,343	\$ 0	\$ 595,343
Water costs	<u>293,120</u>	<u>0</u>	<u>293,120</u>
Gross profit	<u>302,223</u>	<u>0</u>	<u>302,223</u>
Operating revenues:			
Service connections	31,710	0	31,710
Charges, fees, etc.	<u>3,408</u>	<u>0</u>	<u>3,408</u>
Total operating revenues	<u>35,118</u>	<u>0</u>	<u>35,118</u>
Operating expenses:			
Personal services	132,473	0	132,473
Utilities	1,778	0	1,778
Operation and maintenance	30,350	0	30,350
Administration	22,370	0	22,370
Fiscal and other charges	9,385	301	9,686
Depreciation	<u>104,649</u>	<u>0</u>	<u>104,649</u>
Total operating expenses	<u>301,005</u>	<u>301</u>	<u>301,306</u>
Operating income (loss)	<u>36,336</u>	<u>(301)</u>	<u>36,035</u>
Nonoperating revenues (expenses):			
Interest income	8,375	0	8,375
Interest expense	(13,950)	(7,408)	(21,358)
Payment to local unit	(21,044)	0	(21,044)
Payment from county unit	<u>0</u>	<u>21,044</u>	<u>21,044</u>
Total nonoperating revenue (expense)	<u>(26,619)</u>	<u>13,636</u>	<u>(12,983)</u>
Change in net assets	9,717	13,335	23,052
Net assets - beginning of year	<u>2,981,829</u>	<u>0</u>	<u>2,981,829</u>
Net assets - end of year	<u>\$ 2,991,546</u>	<u>\$ 13,335</u>	<u>\$ 3,004,881</u>

Charter Township of Monitor
Other Supplemental Information
Combining Statement of Cash Flows
Proprietary Water Fund
For the Year Ended December 31, 2004

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 604,373	\$ 0	\$ 604,373
Cash payments to suppliers for goods and services	(403,466)	(301)	(403,767)
Cash payments to employees for services	(132,074)	0	(132,074)
Other operating income	35,118	0	35,118
Net cash provided (used) by operating activities	<u>103,951</u>	<u>(301)</u>	<u>103,650</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(51,000)	(15,000)	(66,000)
Interest paid on long-term debt	(15,300)	(5,743)	(21,043)
Payments from (to) local units	(21,044)	21,044	0
Acquisition and construction of capital assets	(2,263)	0	(2,263)
Net cash provided (used) by capital and related financing activities	<u>(89,607)</u>	<u>301</u>	<u>(89,306)</u>
Cash flows from investing activities:			
Interest and investment earnings	7,411	0	7,411
Net increase in cash and cash equivalents	21,755	0	21,755
Cash and cash equivalents, beginning of year	<u>673,387</u>	<u>0</u>	<u>673,387</u>
Cash and cash equivalents, end of year	<u>\$ 695,142</u>	<u>\$ 0</u>	<u>\$ 695,142</u>